

Saskatchewan Milk Control Board



Update

Volume 15 No. 6, December 15, 2008

CHAIRMAN'S MESSAGE – BLAINE McLEOD

As Christmas approaches our thoughts naturally turn to all the wonderful things that we will soon enjoy with family and loved ones. I trust that each of you will find the time in all the busyness to reflect on the true meaning of Christmas and may the spirit of giving be yours to enjoy.

My first four months as Chairman have been very hectic but also very fulfilling. Your new Board has had many things to learn and to become acquainted with. The learning curve has been steep but the commitment to learn and to hear from the industry is strong. An area of progress is the new national continuous quota management system. The new program has been implemented as of August 1, 2008 and though our present system in Saskatchewan will continue to work for us, we may need to adapt and change as time moves on. Early in the New Year we will begin committee meetings with Dairy Farmers of Saskatchewan to look at a “made in Saskatchewan” approach to fully integrate our system into the reality of continuous quota management. Any anticipated changes will be proposed early and we will look for feedback before any implementation.

The Western Milk Pool is now using the P5 fluid milk pricing formula and the formula has triggered an increase to producers effective February 1, 2009. Producers should see an increase of 2.13% on class 1 prices as a result. In addition, the Canadian Dairy Commission announced a 1% increase to industrial classes 2-4 to be effective the same date. I trust these increases will help to return a measure of profitability after a season of extremely high input costs in all areas of our business. Many of those costs are now declining but it will take some time to recoup from the record high costs. We must also be mindful of the fact that the general economic slowdown may have a significant impact on the consumer’s ability to purchase our product. We must be vigilant to recover our costs but we also need to pay close attention to the consumer’s ability to pay. Time will tell if the new formula will work according to the principles under which it was developed. We will be paying close attention to this issue.

We have also spent considerable time dealing with the issue of the Government’s desire to transfer the provincial lab and regulatory functions of our dairy specialist. We believe progress is being made but at this point there is nothing concrete to report. Producers along with our processing partner have been funding the costs since April of 2006 but we have not had the legislative authority to back up the decision to transfer the lab assets and regulatory authority. This situation must change soon and I do believe the commitment to accomplish this is sincere. It is my hope that we will soon be viewing this issue through the rear view mirror.

From my family to yours, and on behalf of the Board members and staff, may I wish you peace and happiness in this Christmas season and the very best wishes for a healthy and prosperous New Year.

15% QUOTA SWAP-IN MAXIMUM LIFTED

On December 2nd the Board met and agreed to exempt producers from the 15% swap-in maximum for the 2008-2009 dairy year.

PERMANENT QUOTA DECREASE

There will be a permanent quota decrease of 0.19% effective December 1, 2008. This is as a result of the Canadian Requirements formula triggering a quota decrease.

In January 2009, the Board will review the 2% Temporary Provincial Quota allocation (line 2 on the Quota Management Sheet) and may reduce this allocation starting February 1st. Projections of current and historical production trends have Saskatchewan tracking towards an over-production position by the summer of 2009. A reduction in this temporary quota allocation may be required starting in February 2009 to ensure that Saskatchewan will stay within its production allowance.

INCREASE IN SUPPORT PRICES FOR SKIM MILK POWDER AND BUTTER, AND FLUID MILK PRICE INCREASE, ON FEBRUARY 1, 2009

On December 3, 2008, the Canadian Dairy Commission (CDC) announced an increase in support prices for butter and skim milk powder (Classes 2-4), effective February 1, 2009. According to a CDC news release, "*this increase in support prices should translate into a revenue increase of 1%*". This price increase will be applied to industrial milk classes which include products such as cheese, yogurt, butter, and skim milk powder. The price increase was based on lagging producer revenues due to increased feed, fuel, and fertilizer costs.

Fluid milk prices will also increase effective February 1, 2009. The fluid milk price is set according to a formula agreed to by the four western provinces, and takes into account producer cash costs plus interest, consumer price index, and the ability of consumers to pay for milk. Based on this formula, the increase in fluid milk prices should translate into a revenue increase of 2.13%.

Producers will see the impact of the above price changes beginning on the March 13, 2009 milk payment.

QUOTA EXCHANGE

The sixth Quota Exchange for the 2008-2009 dairy year was conducted on December 15, 2008. The market-clearing price established for the Unused Quota Exchange was **\$53.01**. There was no Used Quota Exchange. The results of the December 2008 Quota Exchange are outlined in the following Tables. The next monthly Quota Exchange for the 2008-2009 dairy year will be held on January 15, 2009. All offers to sell and bids to purchase quota through the Quota Exchange must be received at the Board office by midnight, January 6, 2009. The Board recommends that offers and bids be submitted well in advance of the deadline date to ensure adequate time for corrections, if necessary. Just a reminder to producers that when making bids on the Quota Exchange, the price on offers to sell quota is the minimum price that the producer is prepared to accept for that quota. Only if the market-clearing price is equal to or greater than the producer's minimum price will that producer qualify for participation in the Exchange.

Conversely, the price on offers to purchase quota is the maximum price that the producer is prepared to pay for that quota. Only if the market-clearing price is equal to or less than the producer's maximum price will that producer qualify for participation in the Exchange. **The clearing price is set at the price where the smallest difference exists between the accumulated volume offered for sale and the accumulated volume bid to purchase.**

UNUSED QUOTA EXCHANGE (per kilogram of butterfat)

Market Clearing Price per kilogram of butterfat	\$53.01
Kilograms offered to Purchase	20,980
Kilograms offered to Sell	35,064
Kilograms sold	17,464
Number of Producers	
- offered to purchase	10
- purchased quota	9
- offered to sell	21
- sold quota	15

UNUSED QUOTA EXCHANGE

Price (\$/kg b.f.)	No. of Sellers	Cumulative Sellers	Kgs b.f. offered for sale	Cumulative sales	Cumulative Sales less Cumulative purchases	Cumulative purchases	Kgs b.f. offered to purchase	Cumulative Buyers	No. of buyers
45.00	7	7	164	164	-20,816	20,980	0	10	0
46.00	1	8	2,000	2,164	-18,816	20,980	0	10	0
47.00	1	9	1,500	3,664	-17,316	20,980	0	10	0
47.50	0	9	0	3,664	-17,316	20,980	500	10	1
49.00	2	11	2,600	6,264	-14,216	20,480	0	9	0
50.00	3	14	10,000	16,264	-4,216	20,480	0	9	0
53.00	1	15	1,200	17,464	-3,016	20,480	0	9	0
53.01	0	15	0	17,464	-3,016	20,480	3,000	9	1
54.00	1	16	3,600	21,064	3,584	17,480	0	8	0
55.00	2	18	2,000	23,064	5,584	17,480	7,000	8	3
55.90	0	18	0	23,064	12,584	10,480	700	5	1
57.00	0	18	0	23,064	13,284	9,780	2,000	4	1
59.00	1	19	10,000	33,064	25,284	7,780	0	3	0
60.00	1	20	1,000	34,064	26,284	7,780	7,780	3	3
70.00	1	21	1,000	35,064	35,064	0	0	0	0

USED QUOTA EXCHANGE (per kilogram of butterfat)

Market Clearing Price per kilogram of butterfat	\$-----
Kilograms offered to Purchase	-----
Kilograms offered to Sell	8,000
Kilograms sold	-----
Number of Producers	-----
- offered to purchase	0
- purchased quota	0
- offered to sell	2
- sold quota	0

USED QUOTA EXCHANGE

Price (\$/kg b.f.)	No. of Sellers	Cumulative Sellers	Kgs b.f. offered for sale	Cumulative sales	Cumulative Sales less Cumulative purchases	Cumulative purchases	Kgs b.f. offered to purchase	Cumulative Buyers	No. of buyers
53.00	1	1	3,000	3,000	3,000	0	0	0	0
57.00	1	2	5,000	8,000	8,000	0	0	0	0

WEIGHTED AVERAGE COMPONENT TESTS & PRICES November 2008

Components	Average Test	Price per kilogram Class 1 to 5
Butterfat	3.8693	\$11.276656
Protein	3.4023	\$ 8.276656
Other Solids	5.6810	\$ 1.239217

Based on the average component tests for the province, the average price received was \$78.8325 per hectolitre. **The average butterfat price received per kilogram was \$20.37.** Over quota (4m) holdings are \$1,553,335.52 for the first four months of the 2008-2009 dairy year.

SASKATCHEWAN MILK POOL RESULTS November 2008

Milk Sale Revenue	\$ 13,921,790.29
Western Milk Pool	\$ 959,262.08
Dairy Farmers of Canada Skim Off	\$ -19,057.34
Plant of Last Resort Service	\$ -57,057.91
Audit Adjustment	\$ -21,742.70
Total Pool Value	\$ 14,783,194.42

ACCOUNTING VALUES FOR CLASSES OF MILK December 2008

	Butterfat (\$/kg)	(\$ per hl. Skim milk)	
Class 1a	\$5.3000	\$66.29	
Class 1b	\$5.3000	\$66.29	
Class 1c	\$5.3000	\$54.30	
	Butterfat (\$/kg)	Protein (\$/kg)	Other Solids (\$/kg)
Class 2	\$7.4482	\$5.5744	\$5.5744
Class 3a	\$7.4482	\$13.0375	\$0.8684
Class 3b	\$7.4482	\$12.7848	\$0.8524
Class 4a, 4b, 4d & 4d(i)	\$7.4482	\$5.1760	\$5.1760
Class 4a(i)	\$7.4482	\$2.8000	\$2.8000
Class 4c	As approved by the Board		
Class 4m	\$0.00	\$0.00	\$0.00
Class 5a	\$4.8340	\$8.7602	\$0.0001
Class 5b	\$4.8340	\$2.1486	\$2.1486
Class 5c	\$3.6421	\$1.7158	\$1.7158
Class 5d	As determined by the CDC		

Butterfat production for November 2008 totalled **725,592 kilograms**. This was an increase of **0.90%** over November 2007 production. In November, Saskatchewan had a monthly CDC allocation of **734,846 kgs** of butterfat. For November, Saskatchewan is **(9,254 kgs)** of butterfat under and cumulatively under by **(50,067 kgs)** of butterfat. On a percentage basis, Saskatchewan is at **-0.57%** within our CDC allocation flexibility limits based on the Continuous Quota model.

	(1) Monthly Total Production Kgs bf	(2) Total Monthly CDC Quota Allocation Kgs bf	(3) Monthly Over or (Under) Production Kgs bf	(4) Lower Flexibility Limit (1.5%) col. 1 - 2 = 3	(5) Upper Flexibility Limit 0.5% col. 9 * -1.5%	(6) Cumulative Over or (Under) Production with limits Kgs bf	(7) Cumulative Over or (Under) Production with limits in % col. 6 / 9	(8) Over Quota or (Lost Production Opportunity) Kgs bf	(9) Rolling 12 Month Total Quota Kgs bf
Aug-08	714,566	711,593	2,973	(130,546)	43,515	2,973	0.03%	-	8,703,088
Sep-08	702,656	712,733	(10,077)	(130,901)	43,634	(7,104)	(0.08%)	-	8,726,752
Oct-08	731,710	765,420	(33,710)	(130,809)	43,603	(40,814)	(0.47%)	-	8,720,621
Nov-08	725,592	734,846	(9,254)	(130,826)	43,609	(50,067)	(0.57%)	-	8,721,711

(1) Monthly Production in Saskatchewan

(2) Total Monthly Quota = Class 1 sales + Monthly MSQ + Carry Forward

(3) Difference between the monthly production (1) and the total monthly quota (2)

(4) The Lower Flexibility Limit is -1.5% of Rolling 12 Month Total Quota (9)

(5) The Upper Flexibility Limit is 0.5% of Rolling 12 Month Total Quota (9)

(6) Previous Month Cumulative Over or (Under) Production + Current Monthly Over or (Under) Production (capped at lower or upper limit if applicable)

(7) Equal to Column (6) expressed as a percentage basis within the flexibility limits

(8) Over Quota or (Lost production opportunity) outside of flexibility limits

(9) Total Monthly CDC Quota Allocation fo. the previous 12 months

**UNALLOCATED TOTAL PRODUCTION QUOTA PENDING
FOR August 1, 2009 IS ESTIMATED AT -0.02%**

Unallocated Total Production Quota Pending is the quota change being projected for the beginning of the new dairy year. This is the result of *pro-rata* quota allocations to producers during the current dairy year.

SASK. HOLSTEIN BRANCH – SCHOLARSHIP OFFER

Saskatchewan Holstein Branch offers up to four \$500.00 scholarships that may be used at any recognized post secondary institution.

Applications are also open for the Young Adult National Holstein Convention April 1 – 5, 2009 in British Columbia.

Applications for the above mentioned close December 30, 2008. For further information and application forms contact Sask. Holstein Branch, Box 21, Vibank, SK S0G 4Y0. Phone (306) 699-2900 or email: knlockert@sasktel.net

2009 WESTERN CANADIAN DAIRY SEMINAR

The 27th Western Canadian Dairy Seminar entitled Forging Ahead Through Challenging Times will be held March 10 – 13, 2009 in Red Deer, Alberta. Highlights of the seminar will include sessions about The Business of Dairying; Dairy Policy Home and Abroad; Animal Health and Productivity; Nutrition and Feeding; Calves to Cows; Housing and Cow Welfare and Focus on Forage. Early registration date is February 10, 2009. The conference coordinator is Joanne Morrison and she can be reached by phone at (780) 492-3236 or email wcds@ales.ualberta.ca

QUOTA MANAGEMENT TABLE

Please find enclosed your quota management results for November, 2008. This Table indicates the percentage of each producer's quota allocation utilized as well as the kilograms of butterfat produced by these shipments.

There are lines numbered 1 through 7 on the top portion of your quota management sheet which show adjustments to your quota for the 2008-2009 dairy year. Enclosed with your quota management sheet is an explanation of how these adjustments will affect what you are required to produce for mid-year (January 31st) and year-end (July 31st) to achieve 97%. If you have any questions, please contact our office.

QUOTA LISTING SERVICE

The Board offers a free quota listing service as part of its Newsletter. Anyone wishing to sell or purchase quota and/or cows, miscellaneous dairy equipment, or swap quota is welcome to contact the Board office at (306) 787-5319. All prices and negotiations will be independent of the Milk Control Board.

Swap in Quota

- Cossette Farms Ltd. would like to swap in quota. Contact Randy at (306) 634-4360
- Hodgeville Colony would like to swap in quota. Contact Paul at (306) 677-2232 Ext. 6315
- Sunnydale Colony would like to swap in quota. Contact Joe or Johnny at (306) 237-4812 Ext. 245 or cell (780) 870-7952.
- Smiley Colony would like to swap in quota. Call (306) 838-2048 Ext. 246.

Swap out Quota

- Jim Gorrill would like to swap out unused quota. Contact him at (306) 725-4828.
- Holstein Haven Ltd. would like to swap out 1,500 kgs unused quota. Contact Robert McCubbing at (306) 228-2921.

Quota &/or Cows for Sale

- Cows or heifers for sale. Phone (306) 862-7140.
- Quota for sale. Approximately 32,000 kilograms. Contact Dan Hazell @ Glenacre Holsteins. Phone (306) 224-4850. Fax (306) 224-4909.
- Cows and quota for sale. Contact Ferch Farms at (306) 736-2205.
- Cows and quota (approximately 40,000 kilograms). Please contact Ken Schmidt @ (306) 374-8980
- Quota for sale – contact Fred or Anne Monchuk at (306) 365-4750.
- Bred heifers for sale – contact Danny at Box Elder Colony – (403) 502-9997
- Lloyetta Holsteins have sold their cows and quota November 2007. We have kept our home bred heifers and have purchased some quality heifers. Many heifers have deep pedigrees from popular bulls such as Goldwyn, Final Cut, Sept. Storm, FBI, Titanic, Jasper and others. We also have some very nice Grade heifers due in early 2008. We have a total of 100 heifers and feel we can meet your cattle needs. The heifers will start calving in January 2008 and we will have springing heifers thru 2008 and 2009. We have breeding age bulls and younger for sale, most from VG dams with high production. Call Lloyd & Loretta Sawatzky, Box 58, RR #4, Saskatoon at (306) 239-4818 or Cell (306) 281-2247.

Miscellaneous For Sale

- Alfa-laval Accublend 285 Mixer; Agri-Metal 542 feedcart; Renn 10hp Roller mill; Conveyors, 2-14 ft x 18 inch, 1-42 ft x 18 inch; 2 – 6 inch electric augers, 10 & 14ft; Harvestore, Goliath and Hercules unloaders; Mueller 1000 gallon milk tank; Alamo 100 vacuum pump; Surge Eclipse milking units and retractors. Contact: Leonard Blocka (306) 764-8439 or cell (306) 960-6608.
- 80 pieces of rubber flooring for sale \$1000 Contact George @ Wheatland Colony (306) 587-2458 Ext. 109
- 16 Waikato milk meters \$250 each; 5,000 gallon new Delaval bulk tank, made in U.S.A. \$50,000. Contact Corman Holsteins (306) 933-4608
- Dairy equipment for sale: Knight TMR mixer, Agrimetal silage cart with 5.5 hp Honda gas motor, 2 belt conveyors, 1000 gallon Delaval bulk tank with 2 compressors and new auto wash, 2" stainless steel pipeline. Heifers for sale: 12 registered good pedigreed Holstein heifers due September and October. One registered Jersey heifer due September. Contact Lloyd Sawatzky (306) 239-4818
- 2002 Tubeline Bale Wrapper and a dismantled 25/90 Harvestorg Silo. Call David Slykhuis @ (306) 453-2878 in Carlyle, SK
- 2000 gallon Delaval tank. Call James Hein (306) 365-3209

MILK CONTROL BOARD MEMBERS

Blaine McLeod - Chairman

Dale Strudwick – Vice-Chair

Alvin Schultz - member

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